



RESTRICTED

BRAZIL - RAILWAY TRANSPORTATIONA. POLICIES

1. Railway transportation policy is determined by the state. Basic transportation policy in Brazil has favored railway development more than that of other forms of inland transportation, and the isolated population areas along the coast have been able to organize individual rail networks serving their respective hinterlands. Government policy, however, has not been sufficiently farsighted to insist on development according to a national plan, and many largely unconnected systems with different gauges have resulted. Recognizing the importance of adequate railroads, the Government is now belatedly attempting to effect a certain degree of standardization in gauge, and to achieve by expansion a more integrated nation-wide system with connections into Uruguay, Paraguay and Bolivia. A continuation of the trend toward nationalization will probably further reduce the number of privately-owned rail systems.
2. Policy governing all forms of transport, except air, is controlled by the Brazilian Ministry of Transport and Public Works. There exists, however, little integration within the Ministry of its components which regulate the individual transportation media, and the Ministerial Departments are largely autonomous. There has been, moreover, a certain degree of decentralization in the administration of Brazilian railways. Whereas the Federal Government owns 21,368 kms of railway lines, it actually operates only 13,068 kms. The delegation by the Federal Government of operating responsibility to the individual states is indicated by the fact that while the states only own 3,274 kms, they operate 10,550 kms (private interests own and operate about 10,000 kms of rail lines).
3. While the development of the Brazilian railway system has been dominated by economic considerations, there are certain aspects of strategic significance. One objective of Brazilian policy is to establish a lateral railway line behind the entire Brazilian coast from the mouth of the Amazon to the Argentine frontier. If this line materializes, the movement of material and troops could be organized sufficiently distant from the coast to be independent of local military developments in the coastal port areas. Another objective of Brazilian policy is to connect its railway system through Bolivia with what may eventually become a transcontinental rail artery. In achieving this, Brazil would counterbalance the advantage now enjoyed by Argentina, its most powerful potential enemy in South America, which already is connected by railway with the Chilean Pacific port of Valparaiso. Possible future rail developments into Bolivia, Paraguay and Uruguay would also be of advantage to Brazil in case of localized military operations in these areas.

RESTRICTED

RESTRICTED

BRAZIL - RAILWAY TRANSPORTATION (A-4)

4. Brazilian railroads are not subsidized, although operating deficits are covered for the lines under government ownership. Indirect support is given the railroads in the form of import tax exemptions for fuels and equipment. According to press reports, the Brazilian Ministry of Transport and Public Works has asked the US export-import bank to finance a projected five-year plan for transport development in Brazil involving the expenditure of \$200,000,000. Included in the plan is a program for railway improvement. For this purpose the Brazilians are said to desire to purchase 1,100 locomotives, 7,000 freight cars, 42,000 tons of rails and 2,500 tons of railroad bridge material.
5. Vested interests exerted great influence throughout the development of the Brazilian railway systems. A substantial part of the Brazilian railways was constructed under private initiative in which the profit incentive was dominant. The present disjointed character of the Brazilian network, with its lack of uniformity in gauge, is strong testimony of the pressure which was exerted by private interests desiring only a rail development satisfying their particular individual requirements.

Brazilian geography has also played a large role in establishing the pattern of railway development. The country has a narrow coastal plain backed by a low sierra and upland plateau, with the population of over 40 million largely concentrated in areas along the Atlantic coastal strip south of the Amazon. These population concentrations have developed relatively independently of each other. The resulting railway construction accordingly, has served primarily to connect each coastal city with those points in its back area which it has desired to develop. There have resulted more than 50 lines, which include over 30,000 kms of one-meter track (about 39 inches), 2,000 kms of various broad gauges, and approximately 1,500 kms of various gauges 3 feet and under.

Domestic political considerations have affected Brazilian railway development because the government has been subjected to pressure from local political factions interested in specific railway projects.

B. ORGANIZATION

1. The Ministry of Transport and Public Works controls, through its departments, all forms of transport except air. The Federal Department of Railroads administers the Ministry's responsibility for railroads.

A separate Government agency, the Tariff and Transport Council, has jurisdiction in matters of rates.

2. Despite general administration of railroads by the Federal Department of Railroads, other Ministries have specific responsibility as follows: Labor is responsible for working

RESTRICTED

BRAZIL - RAILWAY TRANSPORTATION (B-2 CONT'D)

conditions; Finance for revenues and disbursements; and War for engineering. While railroad building policy comes under the control of the Ministry of Transport and Public Works, actual construction is carried out by the War Department.

3. During the war there was effective coordination within the Ministry of Transport and Public Works of transportation policy. This coordination, however, is now rapidly disappearing. There is no specific relationship between the Ministry of Transport and Public Works and the Air Ministry by which rail policy and that of civil aviation are coordinated.
4. No reorganization of transportation agencies appears now to be under consideration. Superimposed on the normal transportation agencies was a war-time arrangement by which the Council of National Defense was assisted in transportation matters by a temporary section called the Transport Department of National Defense.
5. The Federal Department of Railroads and the Ministry of Transport and Public Works are attempting to direct Brazilian railway policy in the national interest, but they are handicapped by political, military and financial considerations. Operating standards do not compare with those in the US.

C. ADMINISTRATION

1. New railroad lines must be approved by the Federal Department of Railroads.
2. Railroad rates are determined for individual lines by the Tariff and Transport Council. Different rates for the same merchandise frequently apply to the various railroad systems.
3. The Brazilian Government does not specifically regulate competition between railroads and other means of transportation. The government recognizes, however, the problems raised by competition between different forms of transportation. In a 1946 publication of the Brazilian Ministry of Foreign Affairs, rail and highway competition was described as having been acute since 1927. The Ministry described the results as "unfortunate". The government has encouraged the railroads to apply for revised freight and passenger rates in order to place the competition between railroads and highways on "fairer grounds".

The government has described the results of this effort as a "rational and spontaneous coordination of transportation . . . hitherto unobtained by any other country". This assertion, however, appears to misrepresent the actual situation with regard to coordination of transportation policy. (See A-2)

4. Safety regulations for railroads are enforced by Federal inspectors.

RESTRICTED

RESTRICTED

BRAZIL - RAILWAY TRANSPORTATION (C-5)

5. The railroad systems have individual training programs, and the Federal Department of Railroads subsidizes an apprentice training school. Engineers are licensed by private professional organizations. Engineer licenses for foreigners must be re-validated every three years.
6. The lack of railway connections with foreign countries has made it unnecessary for Brazil to negotiate international agreements covering railway operations.
7. Comprehensive annual reports must be submitted to the Federal Department of Railroads. These reports cover traffic, rates, accidents, and the financial aspects of railway operations.

RESTRICTED